

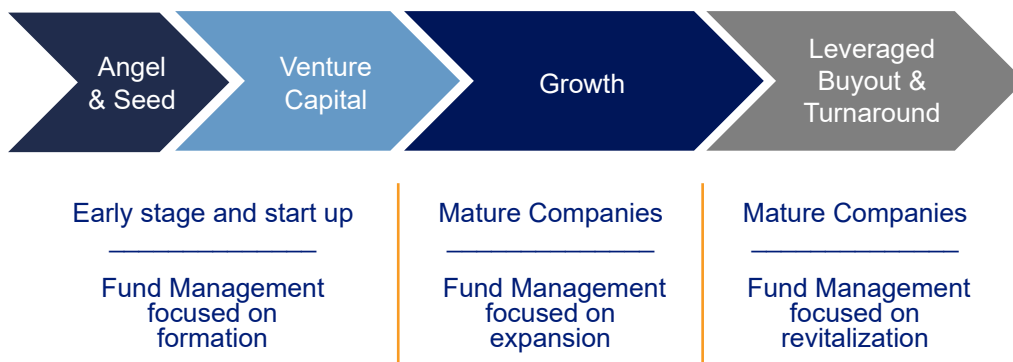
Comparing Private Equity Guide

EDUCATION

Now that sponsors have structured private equity offerings to be more accessible for individual investors, there are various options from which to choose. Most of these variations lie in the fund manager’s investment strategy and can result in varying risk and reward profiles. When comparing private equity options for your clients, consider using the guide below for assistance. Financial professionals can use this guide with investors to support discussions around private equity.

Where are the portfolio companies in their business cycle?

Companies at different stages in their life cycle have unique needs and require various specialties.



- Of the fund managers being considered, what stage of the business cycle do they focus on, and why?

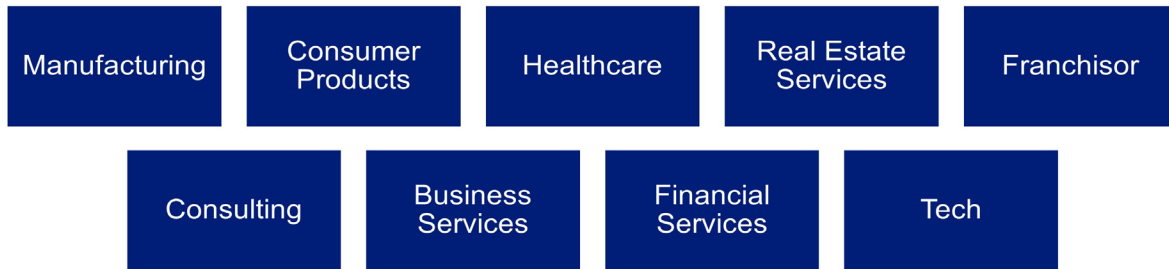
- What does the fund manager do to support companies in this stage?

- What is the risk/reward for the considered stage?

- Is exposure to portfolio companies in specific business cycles preferred?

In which sectors are the portfolio companies?

Fund managers typically have experience in certain sectors with considerable knowledge and capabilities specific to those sectors. Fund managers may leverage this expertise in various ways to help benefit their portfolio companies and, in turn, the end investors.



- What sector of portfolio companies does the fund manager focus on, and why?

- How does the fund manager leverage their internal resources to positively impact their specialized industries?

- For the sectors considered by the fund manager, what are the risks/rewards of each?

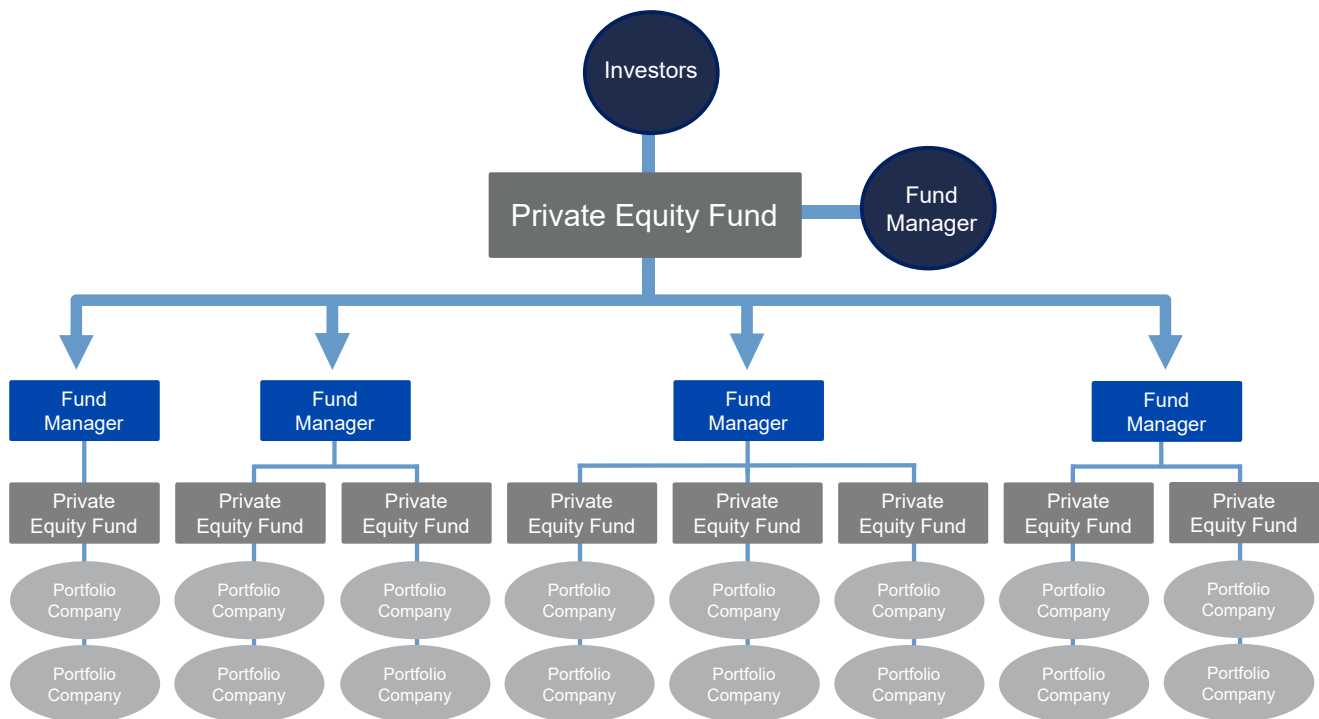
- Are there specific business sectors that are preferred?

What is the structure of the offering?

Publicly registered private equity funds continually raise and invest capital and provide more transparency than institutional private equity. There are many ways in which investors can hold private equity positions within publicly registered private equity offerings. But, there are key differences among offerings. Broadly, investors have two main options: invest in a direct PE fund or in a fund of funds. The two strategies are materially different. Investors who may be considering PE for their portfolios should understand the differences so they can make an informed decision. Here's a breakdown of each.

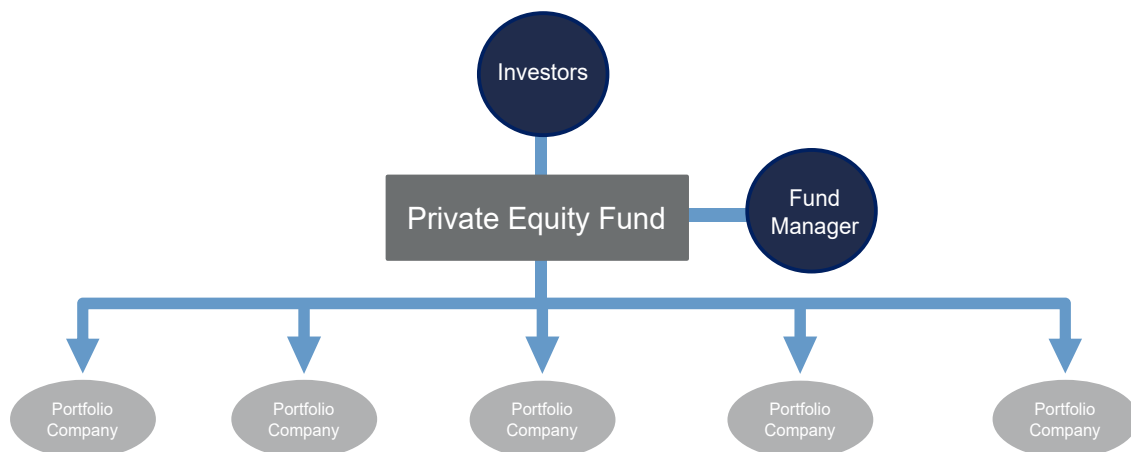
Fund of Funds

The individual investor purchases shares of a fund where the portfolio consists of positions in private equity funds. The underlying fund managers manage or influence the portfolio companies, resulting in distance between the individual investor and the portfolio.



Direct

The individual investor purchases shares of a fund where the portfolio consists of a group of companies. The fund manager that is responsible for capital raise and management of the fund may also manage or influence the portfolio companies directly.



- **What is the structure of the fund being considered?**

- **How does this structure utilize the fund manager’s expertise?**

- **What are the benefits and drawbacks of this structure?**

- **What are the fees associated with this structure?**

Investing in alternatives may be considered speculative and involves a high degree of risk, including the risks associated with limited liquidity, concentrated investments and the risk of a substantial loss of investment. Alternative investments often have significant fees, complex tax structures and investment strategies; and are not suitable for all investors. Before investing, a prospectus should be read carefully. Investors are advised to consider the investment objectives, time horizon, risks, charges and expenses before investing. There is no assurance any fund will achieve its objectives.

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